

# Influence of Compensation and Rewards on Employee Performance in Public Health Institutions in Meru County, Kenya.

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## Abstract

The workforce is the core of any health care system, and it is essential to any good performance of the sector. Healthcare is a labor-intensive sector, and as a result, the performance of talented labour force in the sector remains a great concern in the sector. The purpose of this research was to investigate the influence of compensation and rewards on employee performance in public health institutions in Meru County, Kenya. The study was anchored under the factor theory of motivation. This study adopted a descriptive survey design with a target population of 826 public health care staff in Meru County. The population was stratified into seven distinct strata, each containing a broad group of highly trained healthcare practitioners. Purposive sampling was used to choose the level four hospitals and a stratified random sampling was utilized to draw a total of 270 respondents from the various strata. Selected respondents completed self-administered questionnaires to obtain data. Quantitative information obtained was edited, coded and analyzed. Data were analyzed using Statistical Package for Social Science. The study findings showed that all the study variables investigated were positively correlated to the study dependent variable. A unit rise in compensation and reward leads to a rise in the level of employee performance by 0.359 units. The study therefore concludes that compensation and reward play critical roles in employee performance in the health institutions in Meru county. The study, therefore, recommends for integration of working practices that promote employees to effectively balance between job and personal duties.

**Keywords:** compensation and rewards, employee performance, public health institutions and Meru County.

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## I. Background of the Study

Human resources are no longer just a means to an end, but rather a strategic partner in today's economic climate, since the greatest assets of any company are its people. It is the obligation of a company to efficiently manage its workforce's talent in order to fulfill its business goals. An organization's most valuable asset has always been its workforce. They might be referred to as the organization's lifeblood because of their vital role. For this reason, it is essential for businesses to keep their best workers on board.

As a foundation for increasing employee productivity, employers, in Simmons' opinion (2020), must consider suitable tactics for retaining employees. When a business hires competent personnel but does not implement effective retention methods, it is probable that the firm will often face high staff turnover due to low employee motivation. As a result, poor employee retention methods are more likely to have a negative impact on both public and private sector employee performance (Rombaut, & Guerry, 2020).

Globally retention of employees is a crucial facet of personnel management. According to Collins, Hislop, and Cartwright (2016) employee retention in Pakistan's Oil and Gas sector has significantly affected employee productivity as well as organizational performance. This was based on a study that investigated the relationship between employee retention strategies and employee performance in Oil and Gas sector within Pakistan.

In African countries, employee retention techniques are practiced as the remedy of high employee productivity. According to Chew (2004) in Nigeria employee retention affected organization performance. Chew (2004) investigated the effect of retention of talent among the organization in Lagos hospitals. The research found out that turnover was higher in nurses within the state of Lagos.

In Kenya, Gupta (2015) did a study in Eagle Africa Insurance Broker Limited where the study found out that a flexible work environment allowed employees to perform better. Compensation strategies such as rewarding employees made employees perform better. For a long time, career development has been found to

provide the employees with motivation as well as skills in regards to the study Gupta (2015), it also revealed that training not only sharpens their skills but also assists the organization in employee performance.

**Statement of the Problem**

Employees are the most valuable assets of an organization and should be treated exemplarily so as to retain them. In Kenya, the devolved government guidelines have clear human resource policy that is expected to be followed by all the 47 county governments. As a result, adequate budget to support human resource strategy is expected to be provided by each county government, which includes programs to ensure that best talents are not only attracted but also retained in order to champion the desired local social-economic development.

The employee turnover does not only cost the county government immense financial resources, but it also disrupts the smooth flow of workforce and service delivery to the society. Whenever an employee quits their job, a substantial expertise opening is left, thereby, burdening the remaining team with additional tasks as they work to seal the gap left. This study sought to explore the compensation and rewards on employee performance in the public health care institutions in Meru.

**Purpose of the study**

This study sought to explore the compensation and rewards on employee performance in the public health care institutions in Meru.

**Scope of the study**

The study was restricted to 152 public health institutions within Meru County only. The study targeted 826 medical practitioners working in public health institutions in Meru County. The study was guided by two factor theory of motivation and equity theory and was conducted within a period of six months. The study focused on the influence of compensation and reward practices on employee efficacy.

**II. Theoretical Review**

**Two Factor Theory of Motivation**

The Hertzberg's Two Factor Theory of Motivation served as a guide for the investigation (1968). To Hertzberg (1968), every worker has two sets of needs: one for survival and one for advancement (motivational and hygiene needs). As Hertzberg (1968) points out, workers will remain in their jobs as long as their needs are met and they are driven to do their jobs well. In the event that you fail to satisfy their demands, they will instantly terminate your employment, thereby increasing staff turnover. People are pleased with their jobs based on a variety of characteristics that are connected to the substance of their jobs. Herzberg (1968) discovered the following areas of dissatisfaction: business policy, supervision, working environment, interpersonal connections, compensation, status, and job security, among others. It is the fact that they are not tied to the substance of the work, but rather to the setting of the employment, that distinguishes them from motivational factors (Armstrong, 2007).

The Two-Factor Theory was important to the research because it meant that county health service board officials must place a strong emphasis on human resource development in order to minimize employee unhappiness with their work environment. Additionally, these leaders must ensure that the job is engaging and gratifying in order to keep their people motivated to work harder and achieve higher levels of performance. The work must make the most of the employee's abilities and capabilities to the greatest extent possible. In the public health sector in Meru County, concentrating on motivating variables may increase work-quality and, as a result, improve performance.

**Conceptual framework**

The following conceptual framework will serve as the foundation for the study.



**Figure 1: Conceptual Framework**

Source: Researcher (2022)

**Research Design**

In this study, the researcher used descriptive research design. According to Simmons (2020), descriptive survey research design allows the researcher to describe the features with reference to the study variables. This study's design was ideal because it allowed researchers to look at retention methods used in Meru County's public health care at a given period in time for a specified demographic.

**Target population**

The group of people, objects, or things from which samples are collected for measurements is defined as a population by Kombo and Tromp (2006). The study focus on all of the 152 county-level public health facilities which includes one level five hospital, 23 level four hospitals (sub-county hospitals) 39 level three hospitals, and 89 dispensaries. Staff numbers are as shown below

**Table 1 Target population**

Category of health care	Target population
Doctors	14
Dentist	16
Clinical officers	128
Nurses	536
Pharmacist	11
Orthopedics	6
Laboratory technicians	115
<b>Total</b>	<b>826</b>

**Source:** researcher (2021)

**Sample size**

Both probability and non-probability sampling methods will be used to locate facilities and respondents for the study. In this study, sampling reduced the research's expenses and time.

**Health Institutions**

Purposive Sampling was done in order to choose between level five and four hospitals, a non-probability sampling strategy was utilized; whereas stratified random sampling was used to collect responses from level three and two to represent participants in the population. For more representativeness, stratification was done based on the county subdivisions. From each of the sub counties, there were many health centers and dispensaries. At least one health centre in every ward and four or more dispensaries in every sub location.

**Respondents.**

The study used the Yamane 's formula for categorical data to determining the sample size.

$$n = \frac{N}{1 + N\delta^2}$$

Where:

N is the target population

n is the desired sample size

δ is the critical value of the confidence level (0.05)

With a target population of 826 the sample size is given by  $n = \frac{826}{1 + 826(0.05)^2} = 270$

**Table 2 sample size**

Category of health care	Target population	Calculation	Sample size
Doctors	14	$\frac{14}{826} \times 270$	5
Dentist	16	$\frac{16}{826} \times 270$	6
Clinical officers	128	$\frac{128}{826} \times 270$	42

Nurses	536	$\frac{536}{826} \times 270$	175
Pharmacist	11	$\frac{11}{826} \times 270$	4
Orthopedics	6	$\frac{6}{826} \times 270$	2
Laboratory technicians	115	$\frac{115}{826} \times 270$	36
<b>Total</b>	<b>826</b>		<b>270</b>

Source: Researcher, (2021)

### III. Construction of research instruments

This study employed the use of structured questionnaire in the collection of data. Questionnaire was appropriate in this study since it provided an easy way of administering to the respondents. Further, administration of a questionnaire is less costly and less labour intensive as compared to other instruments of data collection. The questionnaire consisted of closed ended Likert scale where the respondents were required to indicate their level of agreement with the constructs ranging from “strongly agree” to “strongly disagree”. Use of Likert scale was appropriate since it enabled the researcher to obtain simple responses subject to scientific enquiry (Armstrong, 2006). The choice for the questionnaire was supported by its abilities to give respondents freedom to express their views or opinions more objectively.

Few open-ended questions were included to allow staff to freely express their feelings and provide additional information about the subject in question.

#### Respondent Rate of Response

The research instrument was delivered to 270 respondents. The rate of return of questionnaires is as presented in Table 3.

**Table 3: Response Rate**

	Number	Percentage
Received questionnaire	221	81.85
Not returned questionnaire	49	18.15
<b>Total</b>	<b>270</b>	<b>100</b>

Source: Researcher (2022)

The researcher distributed 270 questionnaires. However, the researcher got 221 respondents representing 81.85% while those who failed to return the questionnaire were 36 respondents which represented 18.15%. The response rate was considered excellent for analyzing and publishing the findings of the study. According to Melhem, (2019) a response rate of 50% is sufficient enough to allow analysis and publishing a study, 60% is considered good and 70% excellent.

#### Reliability Analysis

The study was piloted to ascertain the reliability of the research instrument employed. The pilot study used 12 respondents and all nine respondents, received, filled, and returned the questionnaire. Reliability analysis was therefore carried out making use of Cronbach’s Alpha which is applied to assess internal uniformity by verification of specific items in the questionnaire. According to Orodho (1997), a coefficient of 0.70 and above is accepted as appropriate for any social science study below this is low. The results are presented in Table 4.

**Table 4: Reliability Analysis**

	Cronbach’s Alpha	No. of items	Decision
Compensation and Reward	0.812	6	Reliable
Allowances	0.845	7	Reliable
Team work	0.715	7	Reliable
Overtime pay	0.764	6	Reliable
Employee performance	0.791	6	Reliable

Source: Researcher (2022)

**Descriptive Analysis**

**Compensation and Reward**

This study's first objective was to find out the effect of compensation and rewards on employee performance in public health institutions in Meru County, Kenya. The respondents gave responses to statement relating to employee compensation and rewards on the Likert scale according to the level they agree. The results are presented in Table 5.

**Table 5: Employee compensation and Reward**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
salaries and benefits provided are adequate	221	1	5	3.95	1.101
salary evaluations are conducted periodically	221	1	5	4.08	1.092
benefits and salaries are punctually distributed	221	1	5	3.61	1.356
offering incentives like risk allowances, overtime pay, difficult allowances and pensions	221	1	5	3.91	1.156
salary and benefit policies are generally handled honestly and equally	221	1	5	3.77	1.253
there are several employee perks available, including auto loans, mortgages, paid vacations and other related advantages.	221	1	5	3.79	1.215
<b>Valid N (listwise)</b>	221				

Source: Research (2022)

Table 5 showed findings on whether compensation and rewards affect employee performance in public health institutions in Meru County. The findings showed that majority of the respondents agreed that periodic evaluation of salary affect employee performance with a mean of 4.08 and a standard deviation of 1.092. On adequacy of salaries and benefits respondents agreed with a mean of 3.95 and a standard deviation of 1.101 that they affect employee performance. Offering of incentives like risk allowances, overtime pay, difficult allowances and pensions was supported by the respondents to have an effect on employee performance in Health institutions in Meru county with a mean of 3.91 and a standard deviation of 1.156. The study also revealed that most of the respondent indicated that availability of employee perks a, including auto loans, mortgages, paid vacations and other related advantages affect employee performance with a mean of 3.79 and a standard deviation of 1.215. Honest handling of salary and benefit policies scored a mean of 3.77 and a standard deviation of 1.253, respondents further agreed that punctuality of the salary and benefit distribution affect employee performance with a mean of 3.61 and a standard deviation of 1.356. This study's findings concurred with those of the study conducted by Gupta (2008) which established a linear and significant association amid intrinsic and extrinsic reward and performance of the employee. The study further established that that pay and recognition are the most important and influential elements the affected employee performance. The findings of this study also contradict that of Daniels *et al.* (2019) which claimed that cash bonuses do not affect the performance of employees.

The statistical package for social science was used to compute the Cronbach's alpha to test the internal steadiness of the research instrument for compensation and reward, allowances, team work, overtime pay and employee performance. The computed Cronbach's Alpha was 0.812, 0.845, 0.715, 0.764 and 0.791 respectively which were all above the threshold of 0.70 which is the least acceptable measure of reliability. It can therefore be concluded that the research instrument was reliable.

**Inferential Statistics**

The study further did inferential statistics besides the descriptive statistics so far computed and presented. Descriptive and inferential statistics complement each other while attempting to understand a given phenomenon, (Borg, 1996). Inferential statistical tools ranging from correlation coefficient, analysis of variance, and regression analysis were computed.

**Correlation Analysis**

Correlation analysis between the variables of the study is presented in this section to assess the association that existed amongst the study variables. The study computed Pearson's correlation coefficient between pairs of variables. The results of the study are in Table 6.

**Table 6: Correlation coefficients**

		Compensation and reward	Allowances	Salaries	Work life balance
<b>Compensation and reward</b>	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	221			
<b>Allowances</b>	Pearson Correlation	.407**	1		
	Sig. (2-tailed)	.001			
	N	221	221		
<b>Salaries</b>	Pearson Correlation	-.430**	-.454**	1	
	Sig. (2-tailed)	.002	.000		
	N	221	221	221	
<b>Work life balance</b>	Pearson Correlation	-.405**	-.506**	.582**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	221	221	221	221
<b>Employee performance</b>	Pearson Correlation	-.491**	-.496**	.748**	.721**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	221	221	221	221

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Researcher (2022)**

Findings in Table 6 indicate that compensation and reward ( $r = -0.491$ ;  $p=0.00 < 0.05$ ) and allowances ( $r = -0.496$ ;  $p=0.00 < 0.05$ ) had a significant negative relationship with employee performance. These findings suggest that the compensation and reward and Allowances was not effective enough and hence negatively associated with employee performance. The findings in Table 4.21 also show salaries ( $r = 0.748$ ;  $p=0.00 < 0.05$ ) and Overtime pay( $r = 0.721$ ;  $p=0.00 < 0.05$ ) had a significant positive relationship with Employee performance. These findings suggest that there was effective salaries and Overtime payat the public health institutions in Meru county which enabled these two factors to have a positive association with employee performance. To answer the research questions, regression analysis was run to ascertain the nature of the effect of retention strategies on employee performance. The overall means for each variable were used to undertake the regression analysis. In the regression analysis, tests were conducted at 5% significance level. The results of the model's coefficient of determination are presented and discussed in Table 7 below.

**Table 7: Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.810 <sup>a</sup>	.656	.612		1.57672

a. Predictors: (Constant), Compensation and Reward, Allowances, Salaries and Work Life Balance.

**Source: Researcher (2022)**

The independent variables (compensation and reward, Allowances, salaries and work life balance) jointly determined 61.2% of the variation in the level of employee performance in the public health institutions in Meru County. The remaining 48.8% of the variation in employee performance is explained by other factors that were not included in the model. The standard error of the estimate (1.577) represents the mean distance of the observed values fall from the regression line which means the data points on average are 1.577% fluctuates away from the line of best fit. This standard error is acceptable since it is less than the level of significance of 5%.

The result for analysis of variance for the relationship between employee retention strategies and employee performance and its sub-variables investigated in this study is presented.

**Table 8: Analysis of Variance**

ANOVA <sup>a</sup>						
Model		Sum Squares	of df	Mean Square	F	Sig.
1	Regression	13.175	2	4.392	.13.204	.000 <sup>b</sup>
	Residual	24.613	219	.333		
	Total	37.788	221			

a. Dependent Variable: performance

b. Predictors: (Constant), compensation and rewards, allowances, salaries and work life balance.

**Source: Researcher (2022)**

The P-value calculated of 0.000 that was below 0.05 explains that the regression relationship was noteworthy in predicting compensation and reward, allowances, salaries and overtime pay on employee performance in the public health institutions in Meru county. The calculated F (13.204) was significantly bigger than the critical value of F= 2.4288. Moreover, the findings further indicate that the model was fit for the study. The coefficient for regression equation of the association between the study's independent variables; compensation and reward, allowances, salaries and overtime pay and the dependent variable; employee performance as shown in Table 8.

**Table 8: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.131	.759		.173	.063
	Compensation and reward	.359	.115	.346	3.107	.003
	Allowances	.498	.169	.328	2.952	.004
	Salaries	.102	.088	.109	1.159	.006
	Overtime pay	.474	.455	.445	1.043	.000

a. Dependent Variable: employee performance

**Source: Research (2022)**

Regression equation becomes;

$$Y = -0.131 + 0.359X_1 + 0.498X_2 + 0.102X_3 + 0.474X_4$$

From the computed regression coefficients, it is established that whenever all the independent variables investigated for this study i.e. compensation and reward, allowances, salaries and overtime pay are assumed to be constant at zero, employee performance at public health institutions in Meru county is at -0.131. The study findings show that examining the changes in all other variables investigated and assuming that they are held at zero, a rise in the measure of compensation and reward by a single unit leads to an increase in the level of employee performance by 0.359 units with a P-value of 0.003 which was less than the alpha value of 0.05 implying the effect was significant. A unit rise in allowances results in a rise of employee performance by 0.498 units with a p-value of 0.004 which was less than the value for alpha implying the effect of welfare policies was significant.

Unit rise of Salaries would result in a rise of employee performance by 0.474 units with a P-value of 0.006 which was less than the alpha value of 0.05 implying that the relationship is significant and lastly a unit rise of overtime pay would result in a rise of employee performance by 0.102 with a p-value of 0.000 implying that the effect was insignificant. All the independent variables taken into investigation were positively correlated to employee performance. The regression coefficients were computed at a 5% level of significance.

#### IV. Summary of the Study Findings

The specific objective was to determine whether compensation and reward affect employee performance in the public health hospitals in Meru county. Descriptive and inferential statistical methods were used to arrive at the findings. Several indicators were used on which the study established that there was periodic evaluation of salary in the public health hospitals in Meru county as it was support with the highest mean of 4.05 and a low level of agreement among the respondents as supported by a standard deviation of 1.092. The study also established salaries and benefits were adequate as indicated by the respondents. Offering of incentives like risk allowances, overtime pay, difficult allowances and pensions as well as employee perks

were available for the employees. The study also established that there was honest handling of employee's salary and benefit policies and that salary and benefit distribution were punctual which lead to high employee performance. A unit rise in compensation and reward by a single unit leads to an increase in the level of employee performance by 0.359 units the effect was significant. The reward was significant in determining employee performance.

### **V. Conclusions of the Study**

From the study findings, it can be concluded that Health institutions in Meru County practice good compensation and rewards practices that has assisted employees to meet the expectation. It was further discovered that compensation and reward plays a critical in determining the level of employee performance. Also from the study findings periodic evaluation of salary is very crucial in enhancing employee performance. The hospital employees also are given adequate salaries and allowances. The county hospitals also the study has an honest mechanism of handling employee's salary and benefit policies and that salary and benefit are distributed on time.

### **VI. Recommendations of the Study**

For the county government to raise employee performance practically in the devolved health sector, they should design a compensation and reward practices that meets employees' needs, the health institutions should establish a tradeoff between financial and non-financial reward practices. Adequate salary and other allowances when distributed at the right time motivate employees which in turn translate to raised performance.

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